

Price Monitoring for Food Security in the Kyrgyz Republic

Monitoring of basic food prices and their prospects in the Kyrgyz Republic

This bulletin is prepared by the **Technical Working Group on Price Monitoring for Food Security (TWG-PMFS)** which is chaired by the *Ministry of Economy* and participated by the *Ministry of Agriculture and Melioration*, the National Bank, the *National Statistics Committee* and the *National Institute for Strategic Study*, with the technical support of the *United Nations World Food Programme (WFP)* and *Food and Agriculture Organization of the United Nations (FAO)*. The bulletin aims at providing timely information and analysis on domestic prices of basic food and non-food items, complemented by the analysis of international markets. It also provides early warning on high food prices. This is the first issue of the bulletin for **September 2015**.



Highlights

- ◆ The national average retail price of 9 food security commodities remained stable in September 2015 except for the prices of some vegetables and fruits. Potato prices sharply decreased in July 2015 and remained at a low level in September 2015, reflecting increased supply from the new harvest. Apricot prices were significantly higher across the country compared to the same season in 2014. Wheat flour prices remained at a near-record level with the price around 8% higher than the same month of 2014.
- ◆ After remaining stable in the past few months, the export price of wheat in Kazakhstan declined in US dollar terms, due to reduced trade activity and the sharp devaluation of the national currency in mid-August. The overall conditions of global wheat production are favourable in 2015.
- ◆ An El Nino event, active since February 2015, is likely to last through 2015 and may extend into early-2016. Based on 30 years of global historical data, the Central Asia region usually receives above-normal precipitation during a strong El Nino event.
- ◆ The net inflow of remittances for the period of January to August 2015 decreased by 27% in US dollar terms compared to the same period last year. In Russian ruble terms, however, it increased by 18%, according to the data provided by the National Bank of the Kyrgyz Republic.

Trends of retail prices of 9 food security commodities¹

	1 month	3 months	12 months		1 month	3 months	12 months
Wheat flour	0%	0%	8%	Vegetable (carrot)	-1%	-5%	2%
Rice	4%	0%	24%	Vegetable (potato)	0%	-24%	-19%
Meat (beef)	0%	3%	-1%	Fruit (apple)	-15%	-28%	9%
Meat (mutton)	-1%	-4%	-4%	Fruit (apricot)	20%	-58%	68%
Milk	3%	1%	-9%	Sugar	2%	5%	2%
Egg	1%	-4%	-6%	Sunflower oil	3%	4%	6%

Outlook for the next few months

- ◆ Wheat production prospects are favourable in major exporting countries in the region, including Kazakhstan and the Russian Federation. This, combined with depreciated national currencies, will keep exert downward pressure on wheat prices.
- ◆ Close monitoring of the currency exchange rate and its impact on food prices are required, as depreciation of the national currency is a risk element that underpins the outlook on the prices of imported basic commodities, including wheat, sugar and sunflower oil.
- ◆ The price data for the last 10 years present a marked seasonal trend in the price of milk, carrot, cabbage and potatoes, with prices being on a higher level during winter and early spring.
- ◆ A close monitoring of regional price differences between markets is required; for example, the prices of meat, milk and eggs tend to be higher in Batken.

Wheat flour

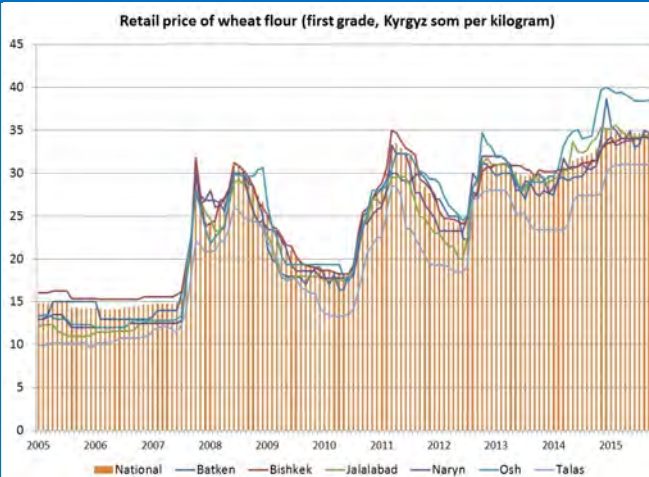
Domestic prices (September 2015)

The national average retail price of wheat flour did not change on a month-on-month basis in September 2015. However, it remained at a near-record level with the price around 8% higher than the same month of 2014, impacted by a depreciation of the national currency.

International prices (September 2015)

The export price of wheat in Kazakhstan (Free on Board [FOB] rate)² **reduced by 15%** on a month-on-month basis in September 2015. The price was 19% lower on a year-on-year basis. Similarly, the export price of wheat in the Russian Federation (FOB rate) reduced by 3% in September and was 25% lower on a year-on-year basis.

Domestic and international prices of wheat flour



1 month	0%
3 months	0%
12 months	8%



1 month	-15%
3 months	-23%
12 months	-19%

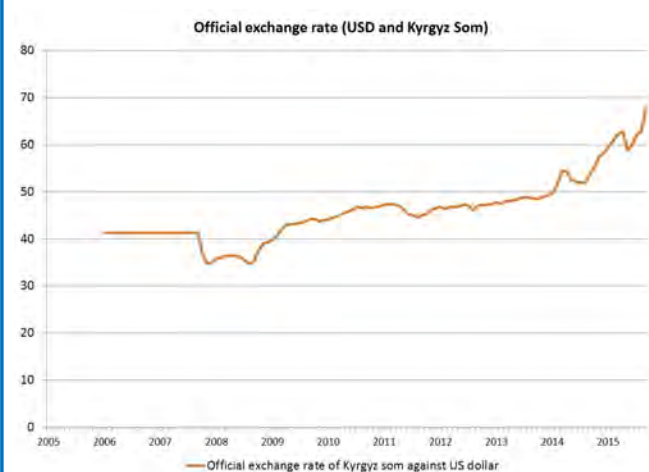
Currency exchange rate

The Kyrgyz som depreciated against the US dollar by 8% in September 2015 and by 26% when compared to the same month last year³. Currency movements are among the main driving forces of retail prices of imported food commodities including wheat.

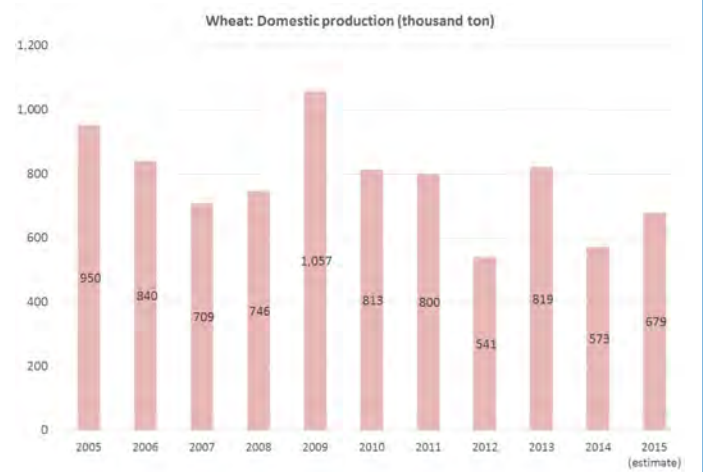
Domestic production

Harvesting of wheat was completed in almost all areas and estimated aggregate output as of September was 679,400 tonnes, 19% higher than in 2014 but 4% below the five-year average⁴.

Currency exchange rate and domestic production prospect



1 month	8%
3 months	13%
12 months	26%



1 year	19%
5 years avg	-4%
10 years avg	-13%

Other basic food commodities

Meat (beef and mutton)

After a sharp increase in prices in early to mid-2014, the national average prices of both beef and mutton remained at near-record levels. The price data for the last 10 years present a seasonal pattern, with prices being at a lower level during winter and higher towards spring and summer, especially for mutton.

Rice

In September 2015, the national average price of rice (medium grain) was 24% higher than in the same month in 2014. In Bishkek, there was a significant deviation from the estimated seasonal price based on historical trends⁵.

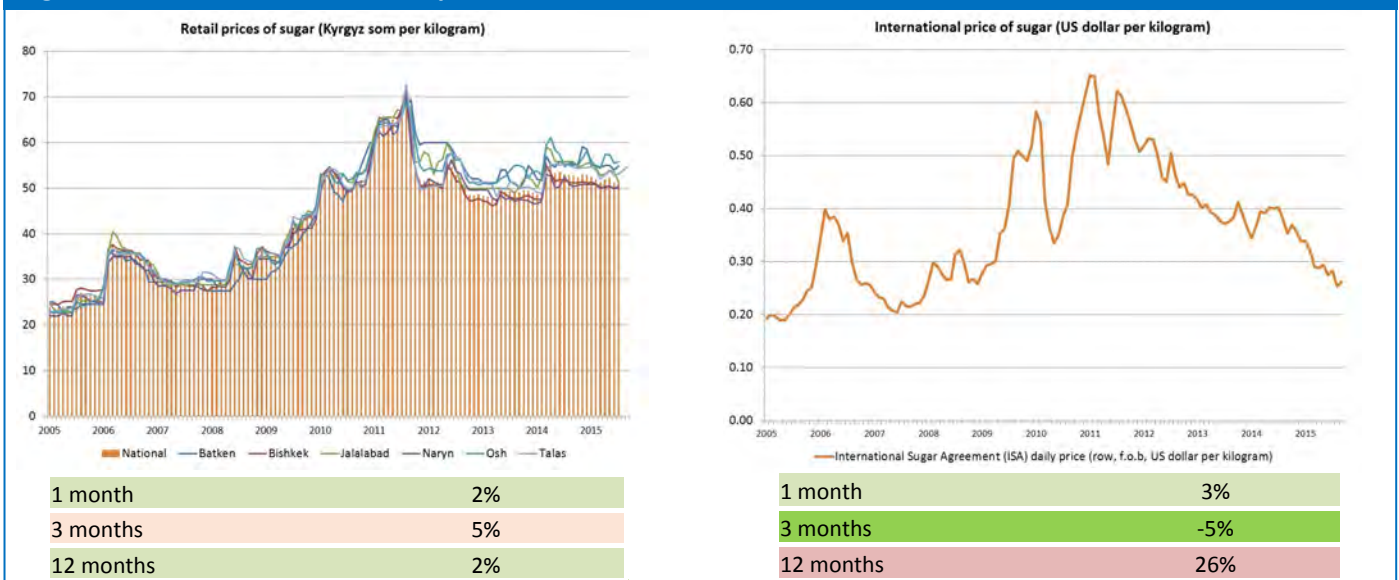
Vegetables (carrot and potatoes)

The national average prices of potatoes and carrots remained almost unchanged in September 2015. The national average price of potato is 19% lower compared to the same month in 2014. Historical data shows significant seasonal price variations, with higher prices during winter. In Batken, the prices of potatoes increased by 16% in September.

Sugar

After an increase in 2011 due to the sharp increase in the global prices, the national average price of sugar remains stable since 2012. In September 2015, the international price⁶ was 26% lower compared to the same month in 2014.

Sugar - domestic and international prices



Milk

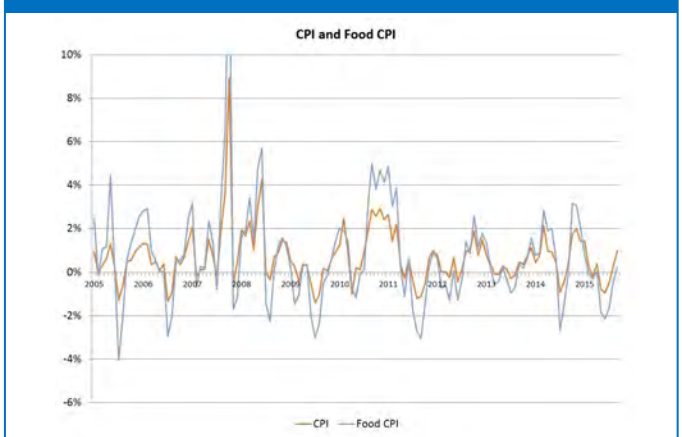
The national average price of milk (unpasteurized) decreased for six consecutive months from February to July 2015; the national average price of milk increased by 1% in August and 3% in September 2015. The price is lower by 9% when compared to the same month in 2014. However, the price of milk in Batken was 15% higher than the national average price.

Cost of food basket

CPI and Food CPI

In previous years, periods of sharp food inflation⁷ (>5% monthly) were recorded in September and October 2007, May and June 2008, September 2010. More recently, food inflation was high in October 2014 (3.2%) and November 2014 (3.1%), reflecting price increases in wheat flour, potatoes, meat and milk. In September 2015, Food CPI was 0.2% higher than in August 2015.

CPI and Food CPI



Agro-climatic context

Domestic and regional⁸

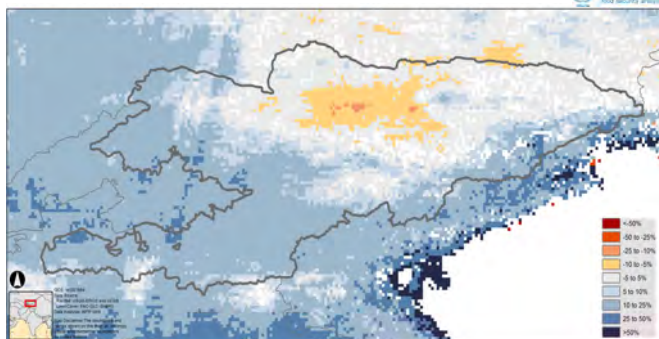
The months from October to June constitutes a critical period for rain and snowfall during which the majority of the Kyrgyz Republic receives its annual precipitation. 30-year global historical data show that, in a strong El Nino year, the Central Asia region usually receives above-normal precipitation during the months of October, November and December. Multiple international forecasts indicate an active El Nino⁹ event since February 2015, which is likely to last through 2015 and possibly extend into early 2016.

Global¹⁰

The overall conditions of wheat production are favourable in the northern hemisphere, including the Russian Federation and Kazakhstan. Global wheat production in 2015 is now forecast to reach a record of 735 million tonnes, almost 2 million tonnes more than in 2014. World trade from July 2015 to June 2016 is forecast to decrease by around 4 percent compared to the same period in 2014/15, reflecting improved domestic availabilities in Asia and North Africa.

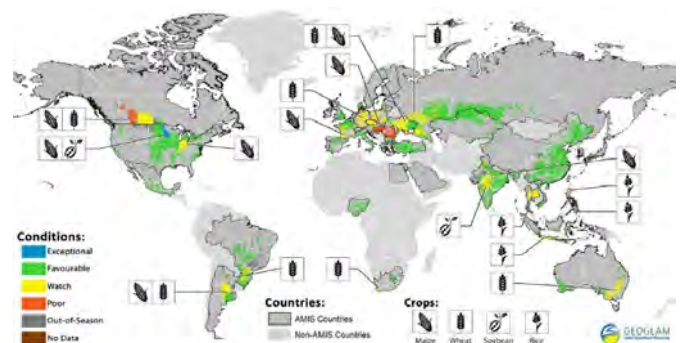
Agro-climatic context - Domestic and global

Relative difference between El Nino and neutral conditions based on 30-year global historical data (1982-2013)



Data source: USGS-EROS and UCSB . Map produced by WFP VAM

Crop conditions in main producing areas (as of September 28th)

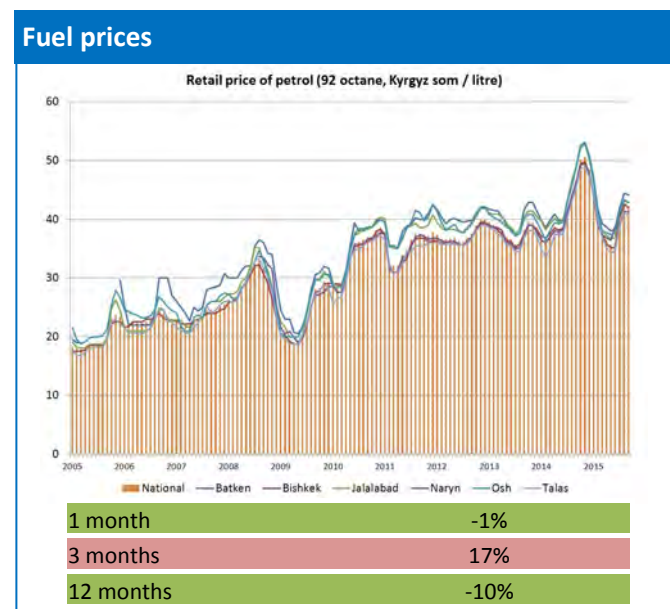


Source: AMIS (Agricultural Market Information System)

Fuel prices

Domestic prices

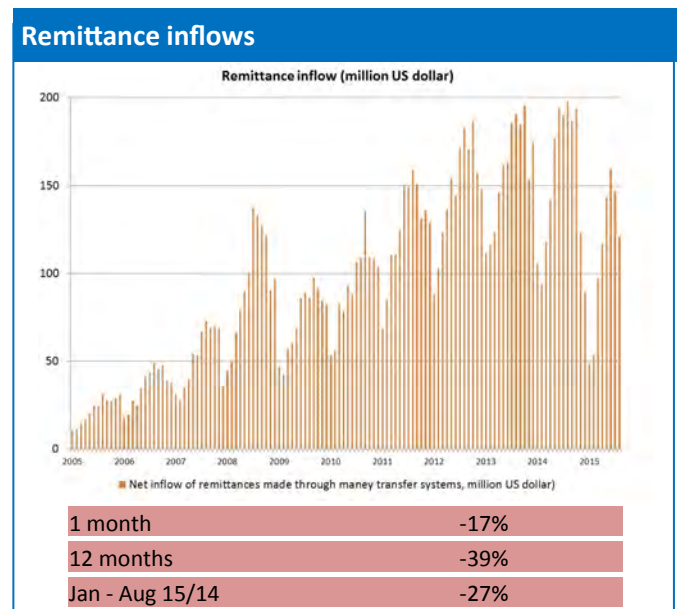
After a sharp increase in July 2015, the national average price of 92-octane petrol¹¹ remained almost unchanged in September 2015. Prices were consistently higher in Batken.



Remittances

Remittance inflows

The net inflow of remittances for the period January to August 2015 decreased by 27% in US dollar terms compared to the same period last year. In Russian ruble terms, however, it increased by 18%, according to data provided by the National Bank of the Kyrgyz Republic¹².



Data sources and methodologies

- Data for retail prices of 9 food security commodities** are collected by the National Statistics Committee of the Kyrgyz Republic on a daily basis from 10 markets across the country (Bsihek, Osh, Tokmok, Kara-balta, Talas, Karakol, Naryn, Kara-suu, Kyzyl-kiya and Batken).
- Data for export price of wheat in Kazakhstan** is Free on Board [FOB] price for milled wheat at Aktau port. The FAO Global Information and Early Warning System (GIEWS) updates this data on a monthly basis.
- Currency exchange rate** used is the official daily exchange rate provided by the National Bank of Kyrgyz Republic. The monthly average rate was calculated for the bulletin.
- Domestic production of wheat for 2005 - 2014** is provided by the National Statistics Committee. The figure for 2015 is provided by the Ministry of Agriculture and Melioration and is subject to change.
- The deviation of the observed prices and estimated seasonal prices** are provided by WFP's Alert for Price Spikes (ALPS) in units of standard deviations. In July 2015, for example, the standard deviation of observed prices of wheat flour price and estimated seasonal prices was 0.74 in Osh, indicating that the market experienced unusually high price levels. Seasonal prices were estimated using the price data for the last 10 years.
- International price of sugar** refers to the International Sugar Agreement (ISA) daily price for raw sugar, obtained from the International Sugar Organization. The price data are widely used by global market monitoring publications such as the World Bank's Commodity Markets Outlook.
- Food inflation** is measured as monthly changes in the food component of CPI. The food component of CPI is provided by the National Statistics Committee on a monthly basis.
- Precipitation pattern during El Nino event** is analyzed using global precipitation data (Climate Hazards Group, USGS-EROS and UCSB) for the period of 1982-2013. The map is developed by the WFP HQ VAM.
- El Nino** refers to the large-scale ocean-atmosphere climate phenomenon linked to a periodic warming in sea-surface temperatures across the central and east-central equatorial Pacific. Typical effects of El Nino include dry weather in Australasia and heavy rain in South America.
- Global agro-climatic context** is based on the analysis provided by the global Agriculture Market Information System (AMIS), an inter-agency platform to strengthen collaboration among main crop exporting and importing countries established at the request of the Agriculture Ministers of the G20 in 2011. The bulletin mainly refers to the analysis provided by the AMIS Market Monitor.
- Data for fuel prices** are provided by the National Statistics Committee on a monthly basis for 95-octane petrol, 92-octane petrol, 80-octane petrol and diesel. The bulletin reports the prices of 92-octane petrol and diesel, which are most commonly used for food transportation and agriculture machinery.
- Data for remittance inflow** are provided by the National Bank of the Kyrgyz Republic. The amount includes remittances received from the Russian Federation, Kazakhstan, the United States, Germany and other countries, using money transfer systems.



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